



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt resolution authorizing the City Council to approve a renewable energy portfolio standard for Electric Utility (EUD)

MEETING DATE: April 16, 2003

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council approve the following renewable energy portfolio standard (RPS) for the City of Lodi Electric Utility: Lodi Electric Utility intends to obtain more than 20% of its electrical energy from renewable resources, including large hydroelectric facilities, each year through 2017.

BACKGROUND INFORMATION: State Senate Bill 1078 was signed into law September 12, 2002. This law defines qualified renewable energy resources and sets forth the following RPS for retail electric sellers **other than** municipal utilities:

- 20% of retail sales must be supplied by renewable resources by 12/31/17.
- Retail sellers must increase renewable supply by at least 1% per year until the 20% target is reached.

The public power community, including the California Municipal Utilities Association and the Northern California Power Agency (NCPA), participated actively in crafting the provisions that apply to public power. They were able to maintain local control and flexibility for the governing boards in determining what defines "renewable" for each publicly owned utility.

As a municipal electric utility, Lodi Electric Utility is excluded from the bill, however the following requirements are spelled out in SB 1078 for municipal electric utilities.

- Each municipal governing board is responsible for implementing and enforcing a local RPS that recognizes the Legislature's intent to encourage renewable resources, taking into consideration the effect on rates, reliability, financial resources and the goal of environmental improvement.
- Each municipal utility must report annually to its customers:
 - 1) Expenditure of public benefits funds collected for renewable energy resource development; and
 - 2) The resource mix by fuel type including each type of renewable resource.

Each municipal utility governing board must define the terms of its RPS. This would include determination of:

- What qualifies as a renewable resource (whether or not to include large hydro projects) and
- The percentage of the total energy resources that are to be renewable, and
- How quickly you plan to meet that goal.

The City of Lodi currently receives approximately 48% of its power from renewable resources. More than 25% comes from the NCPA geothermal plants, which are "eligible" renewable resources as defined in the California Public Utilities Code. Approximately 21% of Lodi's power supply comes from "large" hydroelectric facilities. The large hydroelectric projects combine water usage and electric power production in an environmentally sound manner. Hydroelectric

APPROVED: _____


H. Dixon Flynn - City Manager



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power generation is certainly a renewable resource, and to the extent that environmental impacts are minimized and/or mitigated, Lodi Electric staff believes that this resource should be included as contributing to a renewable portfolio. Staff also feels that the 30 MW limitation on hydro adopted by the State of California is arbitrary. For these reasons, it is recommended that Lodi's RPS be established to include large hydroelectric generation.

Projections for Lodi's future power supply indicate that the contribution of renewables will decline unless new renewable resources are added to the mix. This is due in part to the expected decline in the output of NCPA geothermal plants, and in part because of forecasted load growth. Taking into account these projected declines, Lodi's renewable portfolio will still exceed the goals established by the State for the IOUs of 20% renewables by 2017.

The stated intent of the subject legislation is to "encourage renewable resources". Staff believes that Lodi has already more than met that goal: it has succeeded in the development of renewable resources, supplying approximately 48% of its power from such resources while retaining competitive rates.

Because of the uncertainty associated with the development of new generating sources, staff recommends that the renewable portfolio standard adopted by the Council not be unduly restrictive or aggressive. It is recommended that the renewable portfolio goal be to provide in excess of 20% of Lodi's power supply mix from renewable resources, including large hydroelectric facilities.

Ongoing reviews of the RPS will address changes in Lodi's power portfolio including local generation versus market power purchases and potential changes in the renewable energy technologies.

FUNDING: None. The cost of Lodi's renewable resources is already included in the budget and in long-term projections of power costs.

Alan N. Vallow
Electric Utility Director

PREPARED BY: Sondra Huff, Manager, Governmental Affairs

ANV/SH/lst

C: City Attorney
Finance Director

APPROVED: _____

H. Dixon Flynn - City Manager

City of Lodi Electric Utility Renewable Portfolio Standard (RPS)

RPS Objective:

Meet the intent of Senate Bill 1078 to encourage renewable resources.

Lodi's Qualified RPS Resources are defined as non-fossil fueled electric generating resources, including all hydroelectric resources:

- Geothermal
- Hydroelectric

Lodi's RPS Target:

Lodi's power mix will have a minimum of 20% of renewable resources. Renewable resources are defined as non-fossil fueled electric generating resources, including hydroelectric.

Reporting RPS Performance:

Pursuant with SB 1078, Lodi Electric Utility will report in the annual power content label to be distributed to all Lodi Electric Utility customers:

- Expenditure of Public Benefit funds collected for renewable energy resource development.
- The resource mix by fuel type of renewable resources.

Ongoing Review:

Lodi Electric Utility will regularly address changes in our power portfolio and potential changes in the renewable energy technologies.

RESOLUTION NO. 2003-71

A RESOLUTION OF THE LODI CITY
COUNCIL APPROVING THE RENEWABLE
ENERGY PORTFOLIO STANDARD (RPS)
FOR THE CITY OF LODI ELECTRIC UTILITY

WHEREAS, Senate Bill 1078 was signed into law September 12, 2002; and

WHEREAS, this law defines qualified renewable energy resources and sets forth the following RPS for retail electric sellers other than municipal utilities:

- (A) 20% of retail sales must be supplied by renewable resources by December 31, 2017; and
- (B) Retail sellers must increase renewable supply by at least 1% per year until the 20% target is reached.

WHEREAS, as a municipal electric utility, the Lodi Electric Utility is excluded from the Senate Bill, although the following requirements are mandatory:

- 1) Each municipal governing board is responsible for implementing and enforcing a local RPS that recognizes the Legislature's intent to encourage renewable resources, taking into consideration the effect on rates, reliability, financial resources, and the goal of environmental improvement.
- 2) Each municipal utility must report annually to its customers:
 - A) Expenditure of public benefits funds collected for renewable energy resource development; and
 - B) The resource mix by fuel type including each type of renewable resource.

WHEREAS, each municipal utility governing board must define the terms of its RPS. This would include determination of:

- A) What qualifies as a renewable resource (whether or not to include large hydro projects); and
- B) The percentage of the total energy resources that are to be renewable; and
- C) How quickly you plan to meet that goal.

WHEREAS, the City of Lodi currently receives approximately 48% of its power from renewable resources. More than 25% comes from the Northern California Power Agency (NCPA) geothermal plants, which are "eligible" renewable resources as defined in the California Public Utilities Code. Approximately 21% of Lodi's power supply comes from "large" hydroelectric facilities. The large hydroelectric projects combine water usage and electric power production in an environmentally sound manner. Hydroelectric power generation is certainly a renewable resource, and to the extent that environmental impacts are minimized and/or mitigated, staff believes that this resource should be included as contributing to a renewable portfolio. Staff also feels that the 30 MW limitation on hydro adopted by the State of California is arbitrary. For these reasons, it is recommended that Lodi's RPS be established to include large hydroelectric generation; and

WHEREAS, the stated intent of the subject legislation is to "encourage renewable resources." Staff believes that Lodi has already more than met that goal: it has succeeded in the development of renewable resources, supplying approximately 48% of its power from such resources while retaining competitive rates; and

WHEREAS, because of the uncertainty associated with the development of new generating sources, staff recommends that the renewable portfolio standard adopted by the City Council not be unduly restrictive or aggressive. It is recommended that the renewable portfolio goal be to provide in excess of 20% of Lodi's power supply mix from renewable resources, including large hydroelectric facilities.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby approve the City of Lodi's Electric Utility Renewable Portfolio Standard (RPS), attached hereto marked Exhibit "A."

Dated: April 16, 2003

I hereby certify that Resolution No. 2003-71 was passed and adopted by the City Council of the City of Lodi in a regular meeting held April 16, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Hansen, Howard, Land, and
Mayor Hitchcock

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None


SUSAN J. BLACKSTON
City Clerk

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